

FORECASTS COMPARISON

Idaho has a dynamic economy whose growth is influenced by a myriad of local, national, and international factors. Therefore, changes to the projected values of such diverse variables as oil prices, interest rates, and national housing starts can have an effect at the state level. In order to account for the effects of such changes on the state's economy, each issue of the *Idaho Economic Forecast* uses Global Insight's most recent forecast of the U.S. economy. Additional data, such as company-specific expansions and/or contractions are also considered.

The following comparison table shows how the outlooks for several key Idaho and national economic series have changed from the October 2003 to the January 2004 *Idaho Economic Forecast*. The October 2003 Idaho forecast is based on Global Insight's September 2003 baseline forecast and the January 2004 Idaho forecast is driven by Global Insight's November 2003 baseline U.S. macroeconomic forecast.

The table on the facing page highlights some of the differences for several key national and Idaho variables between the current and previous forecasts. In general, Global Insight has raised its near-term expectations for the U.S. economy. This can be seen in the revised real GDP forecast. Previously, it was anticipated that real GDP would advance 2.6% in 2003 and 4.1% in 2004. This has been increased to 2.9% in 2003 and 4.3% in 2004 in the current forecast. As a result, real GDP is now expected to be \$10.14 trillion in 2004 compared the previous estimate of \$10.08 trillion. After 2004, real GDP is expected to grow 3.6% per year, which is virtually the same as was previously forecast. However, this strength is not universal. In fact, a there are a few key indicators that perform below their previous estimates. For example, in the current forecast real disposable income increases 2.5% in 2003 and 4.3% in 2005. While this is respectable growth, it is lower than the 2.9% growth in 2003 and 4.6% growth in 2004 that was reported in the previous forecast. Another notable difference is nonfarm employment. In the previous forecast nonfarm employment awakens from its recent lull by advancing 1.6% in 2004. In comparison, nonfarm employment increases just 1.1%. This apparent paradox between stronger overall economic growth with weaker employment growth is partially explained by the anticipation of stronger productivity growth. Specifically, productivity is expected to grow 4.2% in 2003 and 3.3% in 2004, which is higher than the previous estimates of 3.8% in 2003 and 3.2% in 2004. The increases in productivity also help explain why inflation is just marginally higher in the current forecast although real overall economic growth has improved.

The accompanying tables shows Idaho nonfarm employment is higher than had been estimated previously. The greatest distance between the two employment forecasts occurs in 2004. This largely due to employment growth being stronger in the second half of 2003 than had been anticipated earlier. After 2004, the nonfarm employment forecasts start to converge, so that in 2007 the difference between the two is less than 1,000 jobs. From 2003 to 2006, Idaho nominal personal income is about \$125 million to \$225 million higher than was reported in October 2003.

IDAHO ECONOMIC FORECAST
FORECASTS COMPARISON
DIFFERENCES BETWEEN
JANUARY 2004 AND OCTOBER 2003 FORECASTS

	1999	2000	2001	2002	2003	2004	2005	2006
GDP (BILLIONS)								
Current \$	0	0	0	0	43	112	125	154
% Difference	0.0%	0.0%	0.0%	0.0%	0.4%	1.0%	1.0%	1.2%
1996 Chain-Weighted	0	0	0	0	31	58	45	45
% Difference	0.0%	0.0%	0.0%	0.0%	0.3%	0.6%	0.4%	0.4%
PERSONAL INCOME - CURR \$								
Idaho (Millions)	0	0	0	0	175	225	178	223
% Difference	0.0%	0.0%	0.0%	0.0%	0.5%	0.6%	0.5%	0.5%
U.S. (Billions)	0	0	0	0	-15	-22	0	35
% Difference	0.0%	0.0%	0.0%	0.0%	-0.2%	-0.2%	0.0%	0.3%
PERSONAL INCOME - 1996 \$								
Idaho (Millions)	0	0	0	0	128	120	34	-24
% Difference	0.0%	0.0%	0.0%	0.0%	0.4%	0.4%	0.1%	-0.1%
U.S. (Billions)	0	0	0	0	-20	-40	-31	-26
% Difference	0.0%	0.0%	0.0%	0.0%	-0.2%	-0.5%	-0.4%	-0.3%
TOTAL NONFARM EMPLOYMENT								
Idaho	1	0	-1	0	1,002	2,139	1,175	725
% Difference	0.0%	0.0%	0.0%	0.0%	0.2%	0.4%	0.2%	0.1%
U.S. (Thousands)	0	0	0	0	-46	-636	-347	-204
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	-0.5%	-0.3%	-0.1%
GOODS PRODUCING SECTOR								
Idaho	2	1	0	1	94	139	-232	-648
% Difference	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	-0.2%	-0.6%
U.S. (Thousands)	0	0	0	0	25	4	67	31
% Difference	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.3%	0.1%
NONGOODS PRODUCING SECTOR								
Idaho	0	-1	-1	-1	908	2,001	1,408	1,373
% Difference	0.0%	0.0%	0.0%	0.0%	0.2%	0.4%	0.3%	0.3%
U.S. (Thousands)	0	0	0	0	-71	-640	-414	-235
% Difference	0.0%	0.0%	0.0%	0.0%	-0.1%	-0.6%	-0.4%	-0.2%
FINANCIAL MARKETS								
Federal Funds Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%
Bank Prime Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%
Mort Rate, Existing Homes	0.0%	0.0%	0.0%	0.0%	-0.2%	0.1%	0.2%	0.3%
INFLATION								
GDP Price Deflator	0.0000	0.0000	0.0000	0.0000	0.0007	0.0045	0.0069	0.0093
Personal Cons Deflator	0.0000	0.0000	0.0000	0.0000	0.0009	0.0027	0.0042	0.0073
Consumer Price Index	0.0000	0.0000	0.0000	0.0000	-0.0002	0.0024	0.0046	0.0091

Forecast Begins the **THIRD** Quarter of 2003